

**THIS DOCUMENT IS PROVIDED TO HIGHLIGHT THE CHANGES TO THE PROPOSED REVISIONS THAT HAVE BEEN MADE SINCE THE 3/29/2012 MRC MEETING  
BASED ON A RE-REVIEW OF THE REVISIONS AND SEVERAL DISCUSSIONS WITH THE MARKET MONITORING UNIT**

Quality Project Risk Assessment – IMM – PJM – Market Participant Process Improvements

For Discussion - ~~3/29~~26/2012 MRC Meeting

	Description	<u>PJM</u> Problem statement	<u>PJM</u> Proposed Revision
1.	<p>IMM reviews of Market Participant unit-specific RPM Avoided Cost Calculations</p> <p>OATT, Att. M-App. <a href="#">§II.E</a>, <a href="#">II.G</a> and <a href="#">II.H</a></p> <p>OATT, Att. DD §6.7</p>	<p>Process does not include clear, task-oriented milestones that ensure timely data submission and timely IMM and PJM response to data submission. The lack of defined deadlines and milestones creates tariff compliance risk for both PJM members and for PJM. Such compliance risk could result in disruption or delay of capacity market operation and auction clearing.</p>	<p><b>OATT, Att. M-Appendix, §II</b></p> <p><u><a href="#">E. Market Seller Offer Caps:</a></u></p> <p><u><a href="#">1. Based on the data and calculations submitted by the Capacity Market Sellers for each Existing Generation Capacity Resource and the formulas specified in Section 6.7(d) of Attachment DD, the Market Monitoring Unit shall calculate the Market Seller Offer Cap for each such resource, and simultaneously notify the Capacity Market Seller and the Office of the Interconnection of its determination in writing by no later than eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction. This provision is duplicated in Section 6.7(d) of Attachment DD.</a></u></p> <p><u><a href="#">2. If the Market Monitoring Unit determines that the level of the Market Seller Offer Cap requested by the Capacity Market Seller is inappropriate, the Market Monitoring Unit must attempt to reach agreement with the Capacity Market Seller on the appropriate level of the Market Seller Offer Cap by no later than sixty (60) days prior to the commencement of the offer period for the applicable RPM Auction. If such agreement cannot be reached because a Capacity Market Seller fails to submit data adequate to support the Market Seller Offer Cap requested, or any other reason, then the Market Monitoring Unit shall simultaneously notify the Office of the Interconnection and the Capacity Market Seller in writing by no later than sixty (60) days prior to the commencement of the offer period for the applicable RPM Auction. In the event that a Capacity Market Seller and the Market Monitoring Unit cannot come to agreement on the level of a Market Seller Offer Cap, then the Market Monitoring Unit shall inform the Capacity Market Seller and the Office of the Interconnection of its final determination by no later than sixty (60) days prior to the commencement of the offer period for the applicable RPM Auction, and the Market Monitoring Unit may pursue any action available to it under Attachment M.</a></u></p> <p><u><a href="#">3. Nothing herein shall preclude any Capacity Market Seller and the Market Monitoring Unit from agreeing to, nor require either such entity to agree to, an alternative market seller offer cap determined on a mutually agreeable basis. Any such alternative offer cap shall be filed with the Commission for its approval. This provision is duplicated in Section 6.4(a) of Attachment DD.</a></u></p> <p><b>G. <u>Data Submission:</u></b></p> <p>Pursuant to Section 6.7 of Attachment DD, the Market Monitoring Unit may request additional information from any potential auction participant as deemed necessary by the Market Monitoring Unit, including, without limitation, additional cost data on resources in a class that is not otherwise expected to include the marginal price setting resource. <u><a href="#">If additional</a></u></p>

information is needed for the Market Monitoring Unit's initial determination of a requested unit-specific Avoidable Cost Rate or appropriate level of Market Seller Offer Cap, so long as the Market Monitoring Unit ~~forwards~~shall forward a written request to the potential auction participant by no later than ~~seventy~~ninety-five (75/95) days prior to the commencement of the offer period of the RPM Auction for which the information is sought: ~~and compliance with such request by no later than sixty (60) days of the date on which the request was forwarded by.~~ After making its initial determination of the acceptable unit-specific Avoidable Cost Rate or appropriate level of Market Seller Offer Cap, and during the period of time in which the Market Monitoring Unit and the Capacity Market Seller are attempting to come to agreement on the appropriate values, the Market Monitoring Unit ~~shall be a condition of participation in any auction~~may request additional information from any potential auction participant by no later than seventy (70) days prior to the commencement of the offer period for the RPM Auction for which the information is sought. The Market Monitoring Unit shall acknowledge receipt of any data provided to it in response to ~~such~~any request for additional information by no later than one (1) business day after receipt. All data submitted to the Office of the Interconnection or the Market Monitoring Unit by a Market Participant is subject to verification by the Market Monitoring Unit.

#### **H. Determination of Avoidable Cost Rates:**

1. The Market Monitoring Unit shall conduct an annual review of the table of default Avoidable Cost Rates included in Section 6.7(c) of Attachment DD and calculated on the bases set forth therein, and determine whether the values included therein need to be updated. If the Market Monitoring Unit determines that the Avoidable Cost Rates need to be updated, it shall provide to the Office of the Interconnection updated values or notice of its determination that updated values are not needed by no later than September 30<sup>th</sup> of each year.
2. The Market Monitoring Unit shall indicate in its posted reports on RPM performance the number of Generation Capacity Resources and megawatts per LDA that use the retirement Avoidable Cost Rates.
3. If a Capacity Market Seller does not elect to use a default Avoidable Cost Rate and has timely provided to the Market Monitoring Unit its request to apply a unit-specific Avoidable Cost Rate, along with the data described in Section 6.7 of Attachment DD, the Market Monitoring Unit shall calculate the Avoidable Cost Rate ~~and Market Seller Offer Cap~~ and provide a unit-specific value to the Capacity Market Seller for each such resource, and simultaneously notify the Capacity Market Seller and the Office of the Interconnection in writing by no later than ~~seventy five (75)~~eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction whether it agrees that the unit-specific Avoidable Cost Rate is acceptable. If the Market Monitoring Unit determines that the requested rate is not acceptable, it shall attempt to come to agreement with the Capacity Market Seller on the appropriate unit-specific Avoidable Cost Rate by no later than sixty (60) days prior to the commencement of the offer period for the applicable RPM Auction, and simultaneously notify the Capacity Market Seller, with a copy to the Office of the Interconnection, in writing of its final determination to accept or reject the requested unit-specific Avoidable Cost Rate by no later than sixty (60) days prior to the commencement of the offer period for the applicable RPM Auction. The Capacity Market Seller and Office of the Interconnection's deadlines relating to the submittal and acceptance of a request for a unit-specific Avoidable Cost Rate are delineated in section 6.7(d) Attachment DD.
4. If a Capacity Market Seller submits a retirement Avoidable Cost Rate that is higher than the applicable default Avoidable Cost Rate included in the table in Section 6.7 of Attachment DD, if the Market Monitoring Unit does not agree that the proposed retirement Avoidable Cost Rate that has been submitted is appropriate, and the Office of the Interconnection accepts the proposed retirement Avoidable Cost Rate submitted by the Capacity Market Seller, the Market Monitoring Unit may exercise its powers to inform Commission staff of its concerns and request a determination that would require the Capacity Market Seller to utilize the retirement Avoidable Cost Rate determined by the Market Monitoring Unit or such other retirement Avoidable Cost Rate as determined by the Commission. ~~Any such request must be submitted to the Commission by the Market Monitoring Unit by no later than seventy five (75) days prior to the commencement of the offer period of the RPM Auction for which the Capacity Market Seller is seeking to use the proposed retirement Avoidable Cost Rate.~~

**OATT, Att. DD §6.7**

(b) Except as provided in subsection (c) below, potential participants in any PJM Reliability Pricing Model Auction in any LDA or Unconstrained LDA Group that fails the Preliminary Market Structure Screen (or, if such region fails the screen, potential auction participants in the entire PJM Region) shall, in addition, submit the following data, together with supporting documentation for each item, to the Market Monitoring Unit no later than ~~ninety (90) days~~ one hundred ten (110) days ~~two months~~ prior to the ~~conduct of~~ commencement of the offer period for such auction:

i. If the Capacity Market Seller intends to submit a non-zero price in its Sell Offer in any such auction, the Capacity Market Seller shall submit a calculation of the Avoidable Cost Rate and Projected PJM Market Revenues, as defined in subsection (d) below, together with detailed supporting documentation.

ii. If the Capacity Market Seller intends to submit a Sell Offer based on opportunity cost, the Capacity Market Seller shall also submit a calculation of Opportunity Cost, as defined in subsection (d), with detailed supporting documentation.

(c) Potential auction participants identified in subsection (b) above need not submit the data specified in that subsection for any Generation Capacity Resource:

i. that is in an Unconstrained LDA Group or, if this is the relevant market, the entire PJM Region, and is in a resource class identified in the table below as not likely to include the marginal price-setting resources in such auction; or

ii. for which the potential participant commits that any Sell Offer it submits as to such resource shall not include any price above: (1) the level identified below for the relevant resource class, less (2) the Projected PJM Market Revenues for such resource, as determined in accordance with this Tariff.

Nothing herein precludes the Market Monitoring Unit from requesting additional information from any potential auction participant as deemed necessary by the Market Monitoring Unit, including, without limitation, additional cost data on resources in a class that is not otherwise expected to include the marginal price setting resource, ~~so long as~~ outlined in section II.G of Attachment M-Appendix . The Capacity Market Seller must provide the additional information to the Market Monitoring Unit ~~forwards a written request to the potential auction participant~~ by no later than ~~seventy-eight (78) days~~ seventy-five (75) days prior to the commencement of the offer period of the RPM Auction for which the information is sought ~~and compliance with such request~~ for data requested by the Market Monitoring Unit prior to its initial determination of the unit-specific Avoidable Cost Rate. If the Capacity Market Seller does not agree with the Market Monitoring Unit's initial determination, the Capacity Market Seller and Market Monitoring Unit may attempt to come to agreement on the appropriate values by no later than sixty (60) days prior to the commencement of the offer period of the RPM Auction for which the information is sought ~~shall be a condition of participation in any auction. If the Market Monitoring Unit requests additional information from the Capacity Market Seller during the post-initial determination discussions, the Capacity Market Seller shall provide the additional information to the Market Monitoring Unit by no later than sixty-five (65) days prior to the commencement of the offer period of the RPM Auction for which the information is sought.~~ Any Sell Offer submitted in any auction that is inconsistent with any commitment made pursuant to this subsection shall be rejected, and the Capacity Market Seller shall be required to resubmit a Sell Offer that complies with such commitments within five (5) days of the Office of the Interconnection's rejection of such Sell Offer. If the Capacity Market Seller does not timely resubmit its Sell Offer, it shall be deemed to have submitted a Sell Offer that complies with the commitments made under this subsection, with a default price equal to the maximum price for the class of resource determined under section (c)(ii) above. The obligation imposed under section 6.6(a) shall not be satisfied unless and until the Capacity Market Seller submits (or is deemed to have submitted) a Sell Offer that conforms to its commitments made pursuant to this subsection or subject to the procedures set forth in section 6.4 and section II.H of Attachment M - Appendix.

The default Avoidable Cost Rates referenced in ~~section~~ this subsection (c)(ii) ~~above~~ are as set forth in the tables below for any auction conducted after September 1, 2009 for any

Delivery Year through the 2012-2013 Delivery Year. To determine the default ACR values for the 2013-2014 and subsequent Delivery Years, the Office of the Interconnection shall multiply the ACR values for the immediately preceding Delivery Year by a factor equal to the most recent ten-calendar-year annual average rate of change in the applicable Handy-Whitman Index of Public Utility Construction Costs or a comparable index approved by the Commission, as calculated by the Office of the Interconnection and posted to its Web site; provided, however, that after the Handy-Whitman indexing methodology has been employed to determine the default ACR values for the RPM Auctions for three consecutive Delivery Years, the Office of the Interconnection shall: i) review the default ACR values to determine whether any changes other than those produced by such methodology are warranted for subsequent Delivery Years (including seeking the analysis and advice of the Market Monitoring Unit on such matter) and report its conclusions to the Members in writing no later than four months after the Base Residual Auction for the third such Delivery Year; and ii) file with FERC resulting changes, if any, to this section no later than seven months after such Base Residual Auction, to be effective for the Base Residual Auction for the following Delivery Year; provided further, that nothing herein precludes the Office of the Interconnection from filing with FERC changes to the default ACR values or any other provision of this section prior to the deadline stated in the previous clause, or at any other time. Capacity Market Sellers shall use the one-year mothball Avoidable Cost Rate shown below, unless such Capacity Market Seller satisfies the criteria set forth in section 6.7(e), in which case the Capacity Market Seller may use the retirement Avoidable Cost Rate. PJM shall also publish on its Web site the number of Generation Capacity Resources and megawatts per LDA that use the retirement Avoidable Cost Rates.

After the Market Monitoring Unit conducts its annual review of the table of default Avoidable Cost Rates included in section 6.7(c) above in accordance with the procedure specified in section II.H of Attachment M – Appendix, it will provide updated values or notice of its determination that updated values are not needed to Office of the Interconnection. In the event that the Office of the Interconnection disagrees with the values proposed for revising the matrix, the Office of the Interconnection shall file its values with the Commission at least sixty-five (65) days prior to the commencement of the offer period for the first RPM Auction for which it proposes to apply the updated values.

If a Capacity Market Seller fails to request a unit-specific Avoidable Cost Rate by the specified deadline, the Capacity Market Seller shall be deemed to accept the default Avoidable Cost Rate.

(d) In order for costs to qualify for inclusion in the Market Seller Offer Cap, the Capacity Market Seller must ~~request a unit specific Avoidable Cost Rate and~~ simultaneously provide to the Market Monitoring Unit and the Office of the Interconnection relevant unit-specific cost data concerning each data item specified as set forth in section 6 by no later than ~~ninety (90)~~ one hundred ten (110) days prior to the commencement of the offer period for the applicable RPM Auction. If cost data is not available at the time of submission for the time periods specified in section 6.8, costs may be estimated for such period based on the most recent data available, with an explanation of and basis for the estimate used. The Market Monitoring Unit may request additional information from a Capacity Market Seller that it deems necessary, as outlined in section II.G of Attachment M-Appendix. The Capacity Market Seller must provide the additional information to the Market Monitoring Unit by no later than eighty-five (85) days prior the commencement of the offer period of the RPM Auction for which the information is sought for data requested by the Market Monitoring Unit prior to its initial determination of the Market Seller Offer Cap. Based on the data and calculations submitted by the Capacity Market Sellers for each existing generation resource and the formulas specified below, the Market Monitoring Unit shall calculate the Market Seller Offer Cap for each such resource, and simultaneously notify the Capacity Market Seller, with a copy to the Office of the Interconnection, by no later than ~~seventy-five (75)~~ eighty (80) days prior to the commencement of the offer period for the applicable RPM Auction whether it agrees that the requested ~~unit specific Avoidable Cost Rate~~ Market Seller Offer Cap is acceptable. If the Market Monitoring Unit determines that the requested ~~rate~~ Market Seller Offer Cap is not acceptable, it shall attempt to come to agreement with the Capacity Market Seller on the appropriate ~~unit specific Avoidable Cost Rate~~ Market Seller Offer Cap by no later than sixty (60) days prior to the commencement of the offer period for the applicable RPM Auction. During the period of time in which the Market Monitoring Unit and the Capacity Market Seller are attempting to come to agreement on the appropriate Market Seller Offer Cap, if the Market Monitoring Unit requests additional information from a potential auction participant by no later than seventy (70) days prior to the commencement of the offer period for the RPM Auction for which the information is sought, the potential auction participant shall provide any such requested information by no later than sixty-five (65) days prior to the referenced RPM Auction. Thereafter, the Market Monitoring Unit shall simultaneously notify the Capacity Market Seller, with a copy to the Office of the Interconnection, in writing of its final determination whether to accept or reject the requested ~~unit specific Avoidable Cost Rate~~ Market Seller Offer Cap by no later than sixty (60) days prior to the

			<p>commencement of the offer period for the applicable RPM Auction. The Capacity Market Seller shall simultaneously notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, whether it will utilize the <del>unit-specific Avoidable Cost Rate</del> <u>Market Seller Offer Cap</u> determined by the Market Monitoring Unit or submit its own determination of its <del>unit-specific Avoidable Cost Rate</del> <u>Market Seller Offer Cap</u> by no later than <del>fifty-nine</del> <u>sixty (59/60)</u> days prior to the commencement of the offer period for the applicable RPM Auction. The Office of the Interconnection shall review the data submitted by both the Capacity Market Seller and the Market Monitoring Unit, and make a determination whether to accept or reject the requested unit-specific <del>Avoidable Cost Rate</del> <u>Market Seller Offer Cap</u>, and notify the Capacity Market Seller and the Market Monitoring Unit of its determination writing, by no later than fifty (50) days prior to the commencement of the offer period for the applicable RPM Auction. The Market Monitoring Unit deadlines referenced herein are duplicated in section II.H of Attachment M – Appendix.</p> <p><del>If a Capacity Market Seller fails to request a unit specific Avoidable Cost Rate by the specified deadline, the Capacity Market Seller shall be deemed to accept the default Avoidable Cost Rate.</del></p> <p>i. Avoidable Cost Rate: The Avoidable Cost Rate for an existing generation resource shall be determined using the formula below and applied to the unit’s Base Offer Segment.</p> <p>ii. Opportunity Cost: Opportunity Cost shall be the documented price available to an existing generation resource in a market external to PJM. In the event that the total MW of existing generation resources submitting opportunity cost offers in any auction for a Delivery Year exceeds the firm export capability of the PJM system for such Delivery Year, or the capability of external markets to import capacity in such year, the Office of the Interconnection will accept such offers on a competitive basis. PJM will construct a supply curve of opportunity cost offers, ordered by opportunity cost, and accept such offers to export starting with the highest opportunity cost, until the maximum level of such exports is reached. The maximum level of such exports is the lesser of the Office of the Interconnection’s ability to permit firm exports or the ability of the importing area(s) to accept firm imports or imports of capacity, taking account of relevant export limitations by location. If, as a result, an opportunity cost offer is not accepted from an existing generation resource, the Market Seller Offer Cap applicable to Sell Offers relying on such generation resource shall be the Avoidable Cost Rate. The default Avoidable Cost Rate shall be the one year mothball Avoidable Cost Rate set forth in the tables in section 6.7(c) above unless Capacity Market Seller satisfies the criteria delineated in section 6.7(e) below.</p> <p>iii. Projected PJM Market Revenues, as defined by section 6.8(d), for any Generation Capacity Resource to which the Avoidable Cost Rate is applied.</p> <p>(e) In order for the retirement Avoidable Cost Rate set forth in the table in section 6.7(c) to apply, by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction, a Capacity Market Seller must submit to the Office of the Interconnection and the Market Monitoring Unit a written sworn, notarized statement of a corporate officer representing that the Capacity Market Seller will retire the Generation Capacity Resource if it does not receive during the relevant Delivery Year at least the applicable retirement Avoidable Cost Rate because it would be uneconomic to continue to operate the Generation Capacity Resource in the Delivery Year without the retirement Avoidable Cost Rate, and specifying the date the Generation Capacity Resource would otherwise be retired.</p>
5.	Offer EFORD in RPM for exceptions  OATT, Att. DD §6.6	Process does not include clear, task-oriented milestones that ensure timely data submission and timely IMM and PJM response to data	<p><b>OATT, Att. DD §6.6</b></p> <p>(b) For each Existing Generation Capacity Resource, a potential Capacity Market Seller must simultaneously provide to the Market Monitoring Unit, with a copy to the Office of the Interconnection, all data and documentation required under section 6.6 to establish the maximum EFORD applicable to each resource. The maximum EFORD that may be used in a Sell Offer for Base Residual Auctions, First Incremental Auctions and Second Incremental Auctions, and for Conditional Incremental Auctions held prior to the date on which the final EFORDs used for a Delivery Year are posted, is the greater of (i) the average EFORD for the five consecutive years ending on the September 30 that last precedes the Base Residual Auction, or (ii) the EFORD for the 12 months ending on the September 30 that last precedes the Base Residual Auction. The data and documentation required to support the</p>

OATT, Att. M-App. §II.C	<p>submission. The lack of defined deadlines and milestones creates tariff compliance risk for both PJM members and for PJM. Such compliance risk could result in disruption or delay of capacity market operation and auction clearing.</p>	<p>maximum EFORd for such auctions must be submitted by no later than ninety (90) days prior to the commencement of offer period for the Base Residual Auction for the applicable Delivery Year. In addition, a Capacity Market Seller may request an exception to the calculation of the maximum EFORd for Sell Offers submitted in such auctions if it has a documented, known reason that would result in an increase in its EFORd, by simultaneously submitting a written request to the Market Monitoring Unit and Office of the Interconnection, along with data and documentation required to support the exception request by no later ninety (90) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. As further described in Section II.C of Attachment M-Appendix, the Market Monitoring Unit shall notify the Capacity Market Seller in writing of its determination of its requested maximum EFORd, <del>simultaneously notifying the Office of the Interconnection by copy of the same, by no later than seventy (70) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year.</del> The Capacity Market Seller shall review the maximum EFORd proposed by the Market Monitoring Unit, and if it disagrees with the determination it may attempt to reach agreement with the Market Monitoring Unit on the maximum level of the EFORd by no later than sixty (60) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year. During this period, the Capacity Market Seller must address any concerns identified by the Market Monitoring Unit regarding the data and documentation provided. In the event a Capacity Market Seller and the Market Monitoring Unit cannot agree on the maximum level of the EFORd by that date, the Capacity Market Seller must notify the Office of the Interconnection in writing that it disagrees with the Market Monitoring Unit's determination of the maximum level of EFORd, simultaneously notifying the Market Monitoring Unit by copy of the same, by no later than sixty (60) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year.</p> <p>The maximum EFORd that may be used in a Sell Offer for Third Incremental Auctions, and for Conditional Incremental Auctions held after the date on which the final EFORd used for a Delivery Year is posted, is the EFORd for the 12 months ending on the September 30 that last precedes the submission of such offers. The data and documentation required to support the maximum offer EFORd for such auctions must be submitted by no later than fifty (50) days prior to the commencement of the offer period for the Third Incremental Auction, or Conditional Incremental Auction held after the date on which the final EFORd used for the Delivery Year is posted, as applicable. A Capacity Market Seller may request an exception to the calculation of the maximum EFORd for Sell Offers submitted in such auctions if it has a documented, known reason that would result in an increase in its EFORd, by simultaneously submitting a written request to the Market Monitoring Unit, with a copy to the Office of the Interconnection, along with data and documentation required to support the exception request by no later than fifty (50) days prior to the commencement of the offer period for the Third Incremental Auction, or Conditional Incremental Auction held after the date on which the final EFORd used for the Delivery Year is posted, as applicable. As further described in Section II.C of Attachment M-Appendix, the Market Monitoring Unit shall notify the Capacity Market Seller in writing of its determination of its requested maximum EFORd, simultaneously notifying the Office of the Interconnection by copy of the same, by no later than thirty-five (35) days prior to the commencement of the offer period for the Third Incremental Auction or Conditional Incremental Auction held after the date on which the final EFORd used for a Delivery Year is posted, as applicable. The Capacity Market Seller shall review the maximum EFORd proposed by the Market Monitoring Unit, and if it disagrees with the determination it may attempt to reach agreement with the Market Monitoring Unit on the maximum level of the EFORd by no later than thirty (30) days prior to the commencement of the offer period for the Third Incremental Auction or Conditional Incremental Auction held after the date on which the final EFORd used for a Delivery Year is posted, as applicable. During this period, the Capacity Market Seller must address any concerns identified by the Market Monitoring Unit regarding the data and documentation provided. In the event a Capacity Market Seller and the Market Monitoring Unit cannot agree on the maximum level of the EFORd by that date, the Capacity Market Seller must notify the Office of the Interconnection in writing that it disagrees with the Market Monitoring Unit's determination of the maximum level of EFORd, simultaneously notifying the Market Monitoring Unit by copy of the same, by no later than thirty (30) days prior to the commencement of the offer period for the Third Incremental Auction or Conditional Incremental Auction held after the date on which the final EFORd used for a Delivery Year is posted, as applicable.</p> <p>If a Capacity Market Seller fails to request an EFORd exception prior to the specified deadlines, the maximum EFORd for the applicable RPM Auction shall be deemed to be the final EFORd established on the most recent November 30.</p> <p>(c) If the Market Monitoring Unit informs the Office of the Interconnection that a Capacity Market Seller has failed to submit costs consistent with section 6.7, it shall be required to submit any Sell Offer in the applicable auction as Self-Supply committed regardless of clearing price. If such Capacity Market Seller submits a Sell Offer that is not Self-Supply</p>
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committed regardless of clearing price, the Market Monitoring Unit may seek relief from the Commission pursuant to section 6.4(d) below and section II.E of Attachment M - Appendix.

(d) In the event that a Capacity Market Seller and the Market Monitoring Unit cannot agree on the maximum level of the EFORd per section 6.6(b) above and Section II.C of Attachment M - Appendix, the Office of the Interconnection will notify the Capacity Market Seller and the Market Monitoring Unit that the deadline by which they were to agree to the maximum level of EFORd has passed and it shall make its own determination of the maximum level of the EFORd based on the requirements of the Tariff and the PJM Manuals, per Section 5.8 of Attachment DD, by no later than (i) fifty (50) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year for Base Residual Auctions, First Incremental Auctions, Second Incremental Auctions, and for Conditional Incremental Auctions held prior to the date on which the final EFORds used for a Delivery Year are posted, and (ii) twenty (20) days prior to the commencement of the offer period for Third Incremental Auctions and for Conditional Incremental Auctions held after the date on which the final EFORds used for a Delivery Year are posted, and shall notify the Capacity Market Seller and the Market Monitoring Unit in writing of such determination. If the Capacity Market Seller submits an EFORd that the Office of the Interconnection determines would result in an increase of greater than five percent in any Zonal Capacity Price determined through such auction compared to the Office of the Interconnection's determination of the maximum level of the EFORd, the Office of the Interconnection shall apply to FERC for an order, on an expedited basis, directing such Capacity Market Seller to submit an EFORd consistent with the Market Monitoring Unit's determination, or for other appropriate relief, and PJM shall postpone clearing the auction pending FERC's decision on the matter. If, before the Office of the Interconnection has cleared the referenced RPM Auction, the Market Monitoring Unit exercise its powers to inform Commission staff of its concerns and request a determination, on an expedited basis, directing a Capacity Market Seller to submit an EFORd consistent with the Market Monitoring Unit's determination, or for other appropriate relief, pursuant to section II.C of Attachment M - Appendix, PJM may postpone clearing the auction pending FERC's decision on the matter.

(e) Nothing in this section precludes the Capacity Market Seller from filing a petition with FERC seeking a determination of whether the EFORd complies with the requirements of the Tariff.

(f) Notwithstanding the foregoing, a Capacity Market Seller may submit an EFORd that it chooses, by no later than (i) sixty (60) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year for Base Residual Auctions, First Incremental Auctions, Second Incremental Auctions and for Conditional Incremental Auction held prior to the date on which the final EFORd used for a Delivery Year is posted, and (ii) thirty (30) days prior to the commencement of the offer period for Third Incremental Auction and for Conditional Incremental Auctions held after the date on which the final EFORd used for a Delivery Year is posted, provided that (i) it has participated in good faith with the process described in this section 6.6 and in section II.C of Attachment M - Appendix, (ii) the offer is no higher than the level defined in any agreement reached by the Capacity Market Seller and the Market Monitoring Unit that resulted from the foregoing process, and (iii) the offer is accepted by the Office of the Interconnection subject to the criteria set forth in the Tariff and the PJM Manuals.

(g) A Capacity Market Seller that owns or controls an existing generation resource in the PJM Region that is capable of qualifying as an Existing Generation Capacity Resource as of the date on which bidding commences for an RPM Auction may not avoid the rule in subsection (a) or be removed from Capacity Resource status by failing to qualify as a Generation Capacity Resource, or by attempting to remove a unit previously qualified as a Generation Capacity Resource from classification as a Capacity Resource for that RPM Auction. However, generation resource may qualify for an exception to the must-offer requirement, as shown by appropriate documentation, if the Capacity Market Seller that owns or controls such resource demonstrates that it: (i) is reasonably expected to be physically unable to participate in the relevant Delivery Year; (ii) has a financially and physically firm commitment to an external sale of its capacity, or (iii) was interconnected to the Transmission System as an Energy Resource and not subsequently converted to a Capacity Resource.

In order to establish that a resource is reasonably expected to be physically unable to participate in the relevant auction as set forth in (i) above, the Capacity Market Seller must demonstrate that:

- A. It has a documented plan in place to retire the resource prior to or during the Delivery Year, and has submitted a notice of Deactivation to the Office of the Interconnection consistent with Section 113.1 of the PJM Tariff, without regard to whether the Office of the Interconnection has requested the Capacity Market Seller to continue to operate the resource beyond its desired deactivation date in accordance with Section 113.2 of the PJM Tariff for the purpose of maintaining the reliability of the PJM Transmission System and the Capacity Market Seller has agreed to do so;
- B. Significant physical operational restrictions cause long term or permanent changes to the installed capacity value of the resource, or the resource is under major repair that will extend into the applicable Delivery Year, that will result in the imposition of RPM performance penalties pursuant to Attachment DD of the PJM Tariff;
- C. The Capacity Market Seller is involved in an ongoing regulatory proceeding (e.g. – regarding potential environmental restrictions) specific to the resource and has received an order, decision, final rule, opinion or other final directive from the regulatory authority that will result in the retirement of the resource; or
- D. A resource considered an Existing Generating Capacity Resource because it cleared an RPM Auction for a Delivery Year prior to the Delivery Year of the relevant auction, but which is not yet in service, is unable to achieve full commercial operation prior to the Delivery Year of the relevant auction. The Capacity Market Seller must submit to the Office of the Interconnection and the Market Monitoring Unit a written sworn, notarized statement of a corporate officer certifying that the resource will not be in full commercial operation prior to the referenced Delivery Year.

In order to establish that a resource has a financially and physically firm commitment to an external sale of its capacity as set forth in (ii) above, the Capacity Market Seller must demonstrate that it has entered into a unit-specific bilateral transaction for service to load located outside the PJM Region, by a demonstration that such resource is identified on a unit-specific basis as a network resource under the transmission tariff for the control area applicable to such external load, or by an equivalent demonstration of a financially and physically firm commitment to an external sale. The Capacity Market Seller additionally shall identify the megawatt amount, export zone, and time period (in days) of the export.

A Capacity Market Seller that seeks to remove a Generation Capacity Resource from PJM Capacity Resource status and/or seeks approval for an exception to the must-offer requirement shall first submit such request in writing to the Market Monitoring Unit for evaluation, simultaneously notifying the Office of the Interconnection by copy of the same, by no later than one hundred (100) days prior to the commencement of the offer period for the RPM Auction in question. The Capacity Market Seller must provide as part of any such request all supporting data and documentation. A Capacity Market Seller may only remove the Generation Capacity Resource from PJM Capacity Resource status if (i) the Market Monitoring Unit has determined that the Generation Capacity Resource meets the applicable criteria set forth in Sections 5.6.6 and 6.6 of Attachment DD and the Office of the Interconnection agrees with this determination, or, (ii) the potential Capacity Market Seller and the Market Monitoring Unit cannot come to agreement on whether a Generation Capacity Resource should be removed from PJM Capacity Resource status or satisfied the criteria for an exception to the must-offer requirement, the potential Capacity Market Seller has submitted its request to remove the resource from PJM Capacity Resource status to the Office of the Interconnection, and the Office of the Interconnection has determined that the Generation Capacity Resource meets the applicable criteria set forth in Sections 5.6.6 and 6.6 of Attachment DD. Nothing herein shall require a Market Seller to offer its resource into an RPM Auction prior to seeking to remove a resource from Capacity Resource status, subject to satisfaction of Section 6.6.

As further described in section II.C of Attachment M-Appendix, the Market Monitoring Unit shall notify the Capacity Market Seller of its determination of its request, simultaneously notifying the Office of the Interconnection by copy of the same, by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction. After the Market Monitoring Unit has made its determination of whether a resource has satisfied the must-offer requirement or meets one of the exceptions thereto and has notified the Capacity Market Seller and the Office of the Interconnection of the same pursuant to Section II.C.4 of Attachment M – Appendix, the Office of the Interconnection shall approve or deny the exception request. If the Capacity Market Seller disagrees with the determination of the Market Monitoring Unit, it must simultaneously notify the Market Monitoring Unit in writing, with a copy to the Office of the Interconnection, of the same by no later than eighty (80) days prior to the commencement of the offer period for the



applicable RPM Auction. The exception request shall be deemed to be approved or denied by the Office of the Interconnection, consistent with the determination of the Market Monitoring Unit, unless the Office of the Interconnection notifies the Capacity Market Seller and Market Monitoring Unit that it disagrees with the Market Monitoring Unit's determination by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences.

If the Market Monitoring Unit does not timely notify the Capacity Market Seller and the Office of the Interconnection of its determination of the request to remove a Generation Capacity Resource from Capacity Resource status or for an exception to the must-offer requirement, the Office of the Interconnection will advise the Capacity Market Seller that the deadline for the same has passed. In such case, the Office of the Interconnection shall make the determination whether the request shall be approved or denied, and will notify the Capacity Market Seller of its determination in writing, with a copy to the Market Monitoring Unit, by no later than sixty-five (65) days prior to the date on which the offer period for the applicable RPM Auction commences.

After the Market Monitoring Unit and the Office of the Interconnection have made their determinations of whether a resource meets the criteria to qualify for an exception to the must-offer requirement and prior to the date on which bidding commences for the applicable RPM Auction, the Capacity Market Seller must notify the Market Monitoring Unit and the Office of the Interconnection whether it intends to exclude from its Sell Offer some or all of the subject capacity on the basis of an identified exception by no later than sixty (60) days prior to the date on which the offer period for the applicable RPM Auction commences. PJM does not make determinations of whether withholding of capacity constitutes market power. A Generation Capacity Resource that does not qualify for submission into an RPM Auction because it is not owned or controlled by the Capacity Market Seller for a full Delivery Year is not subject to the offer requirement hereunder; provided, however, that a Capacity Market Seller planning to transfer ownership or control of a Generation Capacity Resource during a Delivery Year pursuant to a sale or transfer agreement shall be required to satisfy the offer requirement hereunder for the entirety of such Delivery Year and may satisfy such requirement by providing for the assumption of this requirement by the transferee of ownership or control under such agreement.

**OATT, Att. M-App. §II.C**

2. The Market Monitoring Unit shall acknowledge receipt of each request submitted by Capacity Market Sellers for a determination that a Generation Capacity Resource, or any portion thereof, be removed from Capacity Resource status or exempted from status as a Generation Capacity Resource subject to Section II.C.1 above in writing by no later than ninety-nine (99) days prior to the commencement of the offer period for the applicable RPM Auction and shall simultaneously provide a copy of the same to the Office of the Interconnection. The Market Monitoring Unit shall then evaluate each such request and simultaneously inform both the Capacity Market Seller and the Office of the Interconnection of such determination by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction. A Generation Capacity Resource located in the PJM Region shall not be removed from Capacity Resource status to the extent the resource is committed to service of PJM loads as a result of an RPM Auction, FRR Capacity Plan, Locational UCAP transaction and/or by designation as a replacement resource under this Attachment DD.

3. The Market Monitoring Unit shall evaluate the data and documentation provided to it by a potential Capacity Market Seller to establish the maximum EFORd to be included in a Sell Offer applicable to each resource pursuant to Section 6.6(b) of Attachment DD. If the Market Monitoring Unit identifies any concerns regarding the data or documentation provided for Base Residual Auctions, First Incremental Auctions, Second Incremental Auctions, or for Conditional Incremental Auctions held prior to the date on which the final EFORDs used for a Delivery Year are posted, by no later than eighty (80) days prior to the commencement of the offer period for the Base Residual Auction for the applicable Delivery Year, it may request additional data and documentation from the Capacity Market Seller. The Market Monitoring Unit shall notify the Capacity Market Seller in writing of its determination of the Capacity Market Seller's requested maximum EFORd, simultaneously notifying the Office of the Interconnection by copy of the same, by no later than seventy (70) days prior to the commencement of the offer period for the Base Residual Auction. If the Capacity Market Seller notifies the Market Monitoring Unit that it disagrees with its determination of the maximum EFORd, the Capacity Market Seller and the Market Monitoring Unit may attempt to reach agreement on the maximum level of the EFORd by no later than sixty (60) days prior to the commencement of the offer period for the Base Residual Auction, as also set forth in Section 6.6 of Attachment DD of the Tariff. By no later than sixty (60) days prior to

the commencement of the offer period for the Base Residual Auction, the Market Monitoring Unit shall then notify the Office of the Interconnection in writing, simultaneously notifying the Capacity Market Seller by copy of the same, of any updated maximum EFORd to which it and the Capacity Market Seller agree or to reiterate its original determination of the maximum EFORd if agreement is not obtained.

If the Market Monitoring Unit identifies any concerns regarding the data or documentation provided for Third Incremental Auctions or Conditional Incremental Auctions held after the date on which the final EFORds used for a Delivery Year are posted, by no later than forty (40) days prior to the commencement of the offer period for such Third Incremental Auction or Conditional Auction, it may request additional data and documentation from the Capacity Market Seller. The Market Monitoring Unit shall notify the Capacity Market Seller in writing of its determination of the Capacity Market Seller's requested maximum EFORd, simultaneously notifying the Office of the Interconnection by copy of the same, by no later than thirty-five (35) days prior to the commencement of the offer period for such Third Incremental Auction or Conditional Auction. If the Capacity Market Seller notifies the Market Monitoring Unit that it disagrees with its determination of the maximum EFORd, the Capacity Market Seller and the Market Monitoring Unit may attempt to reach agreement on the maximum level of the EFORd by no later than thirty (30) days prior to the commencement of the offer period for such Third Incremental Auction or Conditional Auction, as also set forth in Section 6.6 of Attachment DD of the Tariff. By no later than thirty (30) days prior to the commencement of the offer period for such Third Incremental Auction or Conditional Auction, the Market Monitoring Unit shall then notify the Office of the Interconnection in writing, simultaneously notifying the Capacity Market Seller by copy of the same, of any updated maximum EFORd to which it and the Capacity Market Seller agree or to reiterate its original determination of the maximum EFORd if agreement is not obtained.

4. The Market Monitoring Unit shall consider the documentation provided to it by a potential Capacity Market Seller pursuant to Section 6.6 of Attachment DD, and determine whether a resource owned or controlled by such Capacity Market Seller meets the criteria to qualify for an exception to the must-offer requirement because the resource (i) is reasonably expected to be physically unable to participate in the relevant auction; (ii) has a financially and physically firm commitment to an external sale of its capacity; or (iii) was interconnected to the Transmission System as an Energy Resource and not subsequently converted to a Capacity Resource. The Market Monitoring Unit shall notify the Capacity Market Seller of its determination of its request, simultaneously notifying the Office of the Interconnection by copy of the same, by no later than ninety (90) days prior to the commencement of the offer period for the applicable RPM Auction.

In order to establish that a resource is reasonably expected to be physically unable to participate in the relevant auction as set forth in (i) above, the Capacity Market Seller must demonstrate that:

A. It has a documented plan in place to retire the resource prior to or during the Delivery Year, and has submitted a notice of Deactivation to the Office of the Interconnection consistent with Section 113.1 of the PJM Tariff, without regard to whether the Office of the Interconnection has requested the Capacity Market Seller to continue to operate the resource beyond its desired deactivation date in accordance with Section 113.2 of the PJM Tariff for the purpose of maintaining the reliability of the PJM Transmission System and the Capacity Market Seller has agreed to do so;

B. Significant physical operational restrictions cause long term or permanent changes to the installed capacity value of the resource, or the resource is under major repair that will extend into the applicable Delivery Year, that will result in the imposition of RPM performance penalties pursuant to Attachment DD of the PJM Tariff;

C. The Capacity Market Seller is involved in an ongoing regulatory proceeding (e.g. – regarding potential environmental restrictions) specific to the resource and has received an order, decision, final rule, opinion or other final directive from the regulatory authority that will result in the retirement of the resource; or,

D. A resource considered an Existing Generating Capacity Resource because it cleared an RPM Auction for a Delivery Year prior to the Delivery Year of the relevant auction, but which is not yet in service, is unable to achieve full commercial operation prior to the Delivery Year of the relevant auction. The Capacity Market Seller must submit to the

			<p>Office of the Interconnection and the Market Monitoring Unit a written sworn, notarized statement of a corporate officer certifying that the resource will not be in full commercial operation prior to the referenced Delivery Year.</p> <p>5. If a Capacity Market Seller submits for the portion of a Generation Capacity Resource that it owns or controls, and the Office of Interconnection accepts, a Sell Offer (i) at a level of installed capacity that the Market Monitoring Unit believes is inconsistent with the level established under Section 5.6.6 of Attachment DD of the PJM Tariff, (ii) at a level of installed capacity inconsistent with its determination of eligibility for an exception listed in Section II.C.4 above, or (iii) a maximum EFORd that the Market Monitoring Unit believes is inconsistent with the maximum level determined under Section II.C.3 of this Appendix, the Market Monitoring Unit may exercise its powers to inform Commission staff of its concerns and/or request a determination from the Commission that would require the Generation Capacity Resource to submit a new or revised Sell Offer, notwithstanding any determination to the contrary made under Section 6.6 of Attachment DD.</p> <p>The Market Monitoring Unit shall also consider the documentation provided by the Capacity Market Seller pursuant to Section 6.6 of Attachment DD, for generation resources for which the Office of the Interconnection has not approved an exception to the must-offer requirement as set forth in Section 6.6(g) of Attachment DD, to determine whether the Capacity Market Seller's failure to offer part or all of one or more generation resources into an RPM Auction would result in an increase of greater than five percent in any Zonal Capacity Price determined through such auction as required by Section 6.6(i) of Attachment DD, and shall inform both the Capacity Market Seller and the Office of the Interconnection of its determination by no later than sixty (60) days prior to the commencement of the offer period for the applicable Base Residual Auction, First Incremental Auction, Second Incremental Auction, or Conditional Incremental Auction held prior to the date on which the final EFORds used for a Delivery Year are posted, and by no later than thirty (30) days prior to the commencement of the offer period for the applicable Third Incremental Auction or Conditional Auction held after the date on which the final EFORds used for a Delivery Year are posted.</p>
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8.	<p>Mitigation checks for planned capacity resources</p> <p>OATT, Att. DD §6.5(a)(ii)</p> <p>OATT, Att. M-App. §II.F</p>	<p>Lack of specific timelines within auction clearing period creates ambiguity in rules and presents a tariff compliance risk. While risk is small, the lack of clarity creates potential for disruption or delay of capacity market operation and auction clearing.</p>	<p><b>OATT, Att. DD §6.5(a)(ii)</b></p> <p><b>6.5 Mitigation</b></p> <p>The Office of the Interconnection shall apply market power mitigation measures in any Base Residual Auction or Incremental Auction for any LDA, Unconstrained LDA Group, or the PJM Region that fails the Market Structure Test.</p> <p>(a) Mitigation for Generation Capacity Resources.</p> <p style="padding-left: 40px;">i) Existing Generation Capacity Resource</p> <p>Mitigation will be applied on a unit-specific basis and only if the Sell Offer of Unforced Capacity from an Existing Generation Capacity Resource: (1) is greater than the Market Seller Offer Cap applicable to such resource; and (2) would, absent mitigation, increase the Capacity Resource Clearing Price in the relevant auction. If such conditions are met, such Sell Offer shall be set equal to the Market Seller Offer Cap.</p> <p style="padding-left: 40px;">ii) Planned Generation Capacity Resources</p> <p style="padding-left: 80px;">(A) Sell Offers based on Planned Generation Capacity Resources (including External Planned Generation Capacity Resources) shall be presumed to be competitive and shall not be subject to market power mitigation in any Base Residual Auction or Incremental Auction for which such resource qualifies as a Planned Generation Capacity Resource, but any such Sell Offer shall be rejected if it meets the criteria set forth in subsection (C) below, unless the Capacity Market Seller obtains approval from FERC for use of such offer prior to the deadline for submission of such offers in the applicable auction. Such resources are Existing Generation Capacity Resources in the auctions for any Delivery Year following the Delivery Year for which such resource cleared an RPM Auction. Such resources may receive certain price assurances for the two Delivery Years immediately following the first Delivery Year of service under certain conditions as set forth in section 5.14 of this Attachment. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource.</p> <p style="padding-left: 80px;">(B) Sell Offers based on Planned Generation Capacity Resources (including External Planned Generation Capacity Resources) submitted for the first year in which such resources qualify as Planned Generation Capacity Resources shall be deemed competitive and not be subject to mitigation if: (1) collectively all such Sell Offers provide Unforced Capacity in an amount equal to or greater than two times the incremental quantity of new entry required to meet the LDA Reliability Requirement; and (2) at least two unaffiliated suppliers have submitted Sell Offers for Planned Generation Capacity Resources in such LDA. Notwithstanding the foregoing, any Capacity Market Seller, together with Affiliates, whose Sell Offers based on Planned Generation Capacity Resources in that LDA are pivotal, shall be subject to mitigation.</p> <p style="padding-left: 80px;">(C) Where the two conditions stated in subsection (B) are not met, or the Sell Offer is pivotal, the Sell Offer shall be rejected if it exceeds 140 percent of: 1) the average of location-adjusted Sell Offers for Planned Generation Capacity Resources from the same asset class as such Sell Offer, submitted (and not rejected) (Asset-Class New Plant Offers) for such Delivery Year; or 2) if there are no Asset-Class New Plant Offers for such Delivery Year, the average of Asset-Class New</p>
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Plant Offers for all prior Delivery Years; or 3) if there are no Asset-Class New Plant Offers for any prior Delivery Year, the Net CONE applicable for such Delivery Year in the LDA for which such offer was submitted. For purposes of this section, asset classes shall be as stated in section 6.7(c) as effective for such Delivery Year, and Asset-Class New Plant Offers shall be location-adjusted by the ratio between the Net CONE effective for such Delivery Year for the LDA in which the Sell Offer subject to this section was submitted and the average, weighted by installed capacity, of the Net CONEs for all LDAs in which the units underlying such Asset Class New Plant Offers are located. Following the conduct of the applicable auction and before the final determination of clearing prices, in accordance with Section 6.2(b) above, each Capacity Market Seller whose Sell Offer is so rejected shall be notified in writing by the Office of the Interconnection by no later than two (2) business days after the close of the offer period for the applicable RPM Auction and allowed an opportunity to submit a revised Sell Offer that does not exceed such threshold by no later than four (4) business days after the close of the offer period for the applicable RPM Auction. If such revised Sell Offer is accepted by the Office of the Interconnection, the Office of the Interconnection then shall clear the auction with such revised Sell Offer in place.

(b) Mitigation for Demand Resources

The Market Seller Offer Cap shall not be applied to Sell Offers of Demand Resources or Energy Efficiency Resources.

**OATT, Att. M-App. §II.F**

**F. Mitigation of Offers from Planned Generation Capacity Resources:**

Pursuant to Section 6.5 of Attachment DD, the Market Monitoring Unit shall ~~analyze~~evaluate Planned Generation Capacity Resources to determine whether market power mitigation should be applied. It shall notify each Capacity Market Seller whose Sell Offer has been determined to be non-competitive and subject to mitigation in writing by no later than one (1) business day after the close of the offer period for the applicable RPM Auction, and simultaneously notify the Office of the Interconnection by copy of the same.

<p>9.</p>	<p>Black start revenue requirements</p> <p>OATT, Schedule 6A</p> <p>OATT, Att. M-App. §III</p>	<p>Process does not include clear, task-oriented milestones that ensure timely data submission and timely IMM and PJM response to data submission. The lack of defined deadlines and milestones creates tariff compliance risk for both PJM members and for PJM. Such compliance risk could result in inaccurate billing and multiple billing adjustments.</p>	<p><b>OATT, Schedule 6A</b></p> <p><b><u>Revenue Requirements</u></b></p> <p>16. The annual Black Start Service revenue requirement shall be the sum of the annual Black Start Service revenue requirements for each generator that is designated as providing Black Start Service and has provided the Transmission Provider with a calculation of its annual Black Start Service revenue requirements. A separate line item shall appear on the participants' Transmission Provider bill for Black Start Service charges and credits.</p> <p>17. Black Start Service revenue requirements for each Black Start Unit shall be based, at the election of the owner, on either (i) a FERC-approved rate for the recovery of the cost of providing such service for the entire duration of the commitment term set forth in either section 5 or 6, as applicable, or (ii) the formula <i>rates</i> set forth in section 18 of this Schedule 6A for the commitment term set forth in <i>Paragraph</i> 5 or 6 as applicable. Each generator's Black Start Service revenue requirements shall be an annual calculation. Requests Black Start Service revenue requirements and for changes to the Black Start Service revenue requirements must be submitted to the Market Monitoring Unit for review and analysis, with supporting data and documentation, pursuant to section III of Attachment M – Appendix and the PJM Manuals, with a copy to the Office of the Interconnection, by no later than May 3 of each year. The Market Monitoring Unit and the Black Start Unit owner shall attempt to come to agreement on the level of each component included in the Black Start Service revenue requirements by <u>no later than May 17-21</u>. The Market Monitoring Unit shall calculate the revenue requirement for each Black Start Unit and provide its calculation to the Office of the Interconnection by no later than May 21 of each year. The Black Start Unit owner may also submit Black Start Service revenue requirements that it chooses to the Office of the Interconnection <u>by no later than May 21 of each year</u>, provided that (i) it has participated in good faith with the process described in this section and in section III of Attachment M - Appendix, (ii) the Black Start Service revenue requirements are no higher than the level defined in any agreement reached by the Black Start Unit owner and the Market Monitoring Unit that resulted from the foregoing process, and (iii) the Black Start Service revenue requirements are accepted by the Office of the Interconnection subject to the criteria set forth in the Tariff. If the Market Monitoring Unit does not provide the revenue requirement calculations to the Office of the Interconnection by May 21, the Office of the Interconnection shall compute the revenue requirements subject to the criteria set forth in the Tariff by no later than May 27.</p> <p>In the event that the Black Start Unit owner and Market Monitoring Unit cannot agree on the level of each component included in the calculation of the Black Start Service revenue requirements, or the Office of the Interconnection computed the revenue requirement because it did not receive the calculation of the same from the Market Monitoring Unit by May 21, and the Black Start Unit owner submits its own values to the Office of the Interconnection that are inconsistent with the Market Monitoring Unit's or the Office of the Interconnection's determination, the Office of the Interconnection shall determine whether to accept such values subject to the requirements of the Tariff and the PJM Manuals. If the Office of the Interconnection does not accept the values submitted by the Black Start Unit owner in such case, the Black Start Unit owner may file its proposed values with the Commission for approval. Pursuant to section III of Attachment M - Appendix, if the Office of the Interconnection accepts the Black Start Service revenue requirements submitted by the Black Start Service generator owner in such case, the Market Monitoring Unit may petition the Commission for an order that would require the Black Start Unit to utilize the values determined by the Market Monitoring Unit, the Office of the Interconnection or such other values as determined by the Commission. <u>The annual calculation of, and updates to, black start revenue requirements shall become effective on June 1 of each year.</u> No change to a Black Start Service revenue requirement shall become effective until the existing revenue requirement has been effective for at least twelve months.</p> <p>18. The formula for calculating a generator's annual Black Start Service revenue requirement is:</p> <p style="text-align: center;">{(Fixed BSSC) + (Variable BSSC) + (Training</p>
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Costs) + (Fuel Storage Costs)} \* (1 + Z)

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**Capital Cost Recovery Rate**

(FERC-approved rate) + (Incremental Black Start Capital Costs \* CRF)

Where:

*“FERC-approved rate” is the Black Start Unit’s current FERC-approved recovery of costs to provide Black Start Service, if applicable.*

*“Incremental Black Start Capital Costs” are the new or additional capital costs documented by the owner or accepted by the Commission for the incremental equipment solely necessary to enable a unit to provide Black Start Service in addition to whatever other product or services such unit may provide. Such costs shall include those incurred by a Black Start Unit owner in order to meet NERC Reliability Standards that apply to Black Start Units solely on the basis of the provision of Black Start Service by such unit. However, Incremental Black Start Capital Costs shall not include any capital costs that the Black Start Unit owner is recovering for that unit pursuant to a FERC-approved recovery rate.*

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**Fuel Storage Costs:**

Black Start Units that cannot use oil for fuel shall *calculate* Fuel Storage Costs or “FSC” as zero. Black Start Units that can use oil for fuel shall calculate Fuel Storage Costs in accordance with the following formula:

$$\{MTSL + [(\# \text{ Run Hours}) * (\text{Fuel Burn Rate})]\} *$$

$$(12 \text{ Month Forward Strip} + \text{Basis}) * (\text{Bond Rate})$$

Where:  
Run Hours are the actual number of hours a Transmission Provider requires a Black Start Unit to run. Run Hours shall be at least 16 hours or as defined by the Transmission Owner restoration plan, whichever is less.

“Fuel Burn Rate” is actual fuel burn rate for the Black Start Unit.

“12-Month Forward Strip” is the average of forward prices for the fuel burned in the Black Start Unit traded the first business day on or following May 1.

“Basis” is the transportation costs from the location referenced in the forward price data to the Black Start Unit plus any variable taxes.

			<p>“Bond rate” is the value determined with reference to the Moody's Utility Index for bonds rated Baa1 reported the first business day on or following May 1.</p> <p>“MTSL” is the “minimum tank suction level” and shall apply where no direct current pumps are available for the Black Start Unit.</p> <p>For units qualifying as Black Start Units on the basis of a demonstrated ability to operate at reduced levels when automatically disconnected from the grid, there are no associated fuel storage costs and the value for FSC shall be zero.</p> <p><b>OATT, Att. M-App. §III</b></p> <p><b>III. BLACKSTART SERVICE</b></p> <p>A. Upon the submission by a Black Start Unit owner of a request for Black Start Service revenue requirements and changes to the Black Start Service revenue requirements for the Black Start Unit, the <u>Market Monitoring Unit shall provide its evaluation of the values proposed by the Black Start unit owner by no later than May 14.</u> The Black Start Unit owner and the Market Monitoring Unit shall attempt to agree to values on the level of each component included in the Black Start Service revenue requirements by <u>no later than May 17-21.</u> The Market Monitoring Unit shall calculate the revenue requirement for each Black Start Unit and provide its calculation to the Office of the Interconnection by no later than May 21 of each year.</p> <p>B. Pursuant to the terms of Schedule 6A of the PJM Tariff and the PJM Manuals, the Market Monitoring Unit will analyze any requested generator black start cost changes on an annual basis and shall notify the Office of the Interconnection of any costs to which it and the Black Start Unit owner have agreed or the Market Monitoring Unit's determination regarding any cost components to which agreement has not been obtained. If a Black Start Unit owner includes a cost component inconsistent with its agreement or inconsistent with the Market Monitoring Unit's determination regarding such cost component, and the Office of the Interconnection accepts the Black Start Service revenue requirements submitted by the Black Start Unit owner, the Market Monitoring Unit may exercise its powers to inform Commission staff of its concerns and request a determination that would require the Black Start Service generator to utilize the values determined by the Market Monitoring Unit, the Office of the Interconnection or such other values as determined by the Commission.</p>
10	<p>Determination of frequently mitigated units</p> <p>OATT, Att. K-App. §6.4.2</p> <p>OA, Schedule 1 §6.4.2</p> <p>OATT, Att. M-</p>	<p>Process does not include clear deadlines and task-oriented milestones that ensure timely status updates to members. The lack of defined deadlines and milestones creates tariff compliance risk for both PJM members and for PJM. Such</p>	<p><b>OATT, Att. K-App. §6.4.2 / OA, Schedule 1 §6.4.2</b></p> <p>(a) The offer price cap shall be one of the amounts specified below, as specified in advance by the Market Seller for the affected unit:</p> <p>(i) The weighted average Locational Marginal Price at the generation bus at which energy from the capped resource was delivered during a specified number of hours during which the resource was dispatched for energy in economic merit order, the specified number of hours to be determined by the Office of the Interconnection and to be a number of hours sufficient to result in an offer price cap that reflects reasonably contemporaneous competitive market conditions for that unit;</p> <p>(ii) The incremental operating cost of the generation resource as determined in accordance with Schedule 2 of the Operating Agreement and the PJM Manuals (“incremental cost”), plus 10% of such costs;</p> <p>(iii) For units that are frequently offer capped (“Frequently Mitigated Unit” or “FMU”), the following shall apply:</p> <p>(a) For units that are offer capped for 60% or more of their run hours, but less than 70% of their run hours, the offer price cap will be either (i) incremental cost plus</p>



<p>App. §II.A.3</p>	<p>compliance risk could result in inaccurate cost-based generation offers.</p>	<p>10% or (ii) incremental cost plus \$20 per megawatt-hour;</p> <p>(b) For units that are offer capped for 70% or more of their run hours, but less than 80% of their run hours, the offer price cap will be either (i) incremental cost plus 15%, not to exceed incremental cost plus \$40 per megawatt-hour, or (ii) incremental cost plus \$30 per megawatt-hour;</p> <p>(c) For units that are offer capped for 80% or more of their run hours, the offer price cap will be (i) incremental costs plus 10%; (ii) incremental cost plus \$40 per megawatt-hour; or (iii) the agreed unit-specific going forward costs of the affected unit as reflected in an agreement entered pursuant to subsection (iv), below; or</p> <p>(iv) An amount determined by agreement between the Office of the Interconnection and the Market Seller, provided that, if the Office of the Interconnection and the Market Seller cannot reach agreement after sixty (60) days from the commencement of negotiations, then the Market Seller may submit the rates, terms, and conditions of its proposed offer cap to the Commission for resolution.</p> <p>(b) For purposes of section 6.4.2(a)(iii), a generating unit shall qualify for the specified offer cap upon issuance of written notice from the Market Monitoring Unit that it is a “Frequently Mitigated Unit” or “FMU” because it was offer capped for the applicable percentage of its run hours, determined on a rolling 12-month average basis, effective with a one month lag, by no later than the 21<sup>st</sup> day of each month pursuant to Section II.A of Attachment M-Appendix.</p> <p>(c) Any generating unit, without regard to ownership, located at the same site as a Frequently Mitigated Unit qualifying under Sections 6.4.2(a)(iii) shall become an “Associated Unit” upon issuance of written notice from the Market Monitoring Unit by no later than the 21<sup>st</sup> day of each month pursuant to Section II.A of Attachment M-Appendix, that it meets all of the following criteria:</p> <ol style="list-style-type: none"> <li>1. The unit has the identical electric impact on the transmission system as the FMU;</li> <li>2. The unit (i) belongs to the same design class (where a design class includes generation that is the same size and utilizes the same technology, without regard to manufacturer) and uses the identical primary fuel as the FMU or (ii) is regularly dispatched by PJM as a substitute for the FMU based on differences in cost that result from the currently applicable FMU adder;</li> <li>3. The unit (i) has an average daily cost-based offer, as measured over the preceding 12-month period, that is less than or equal to the FMU’s average daily cost-based offer adjusted to include the currently applicable FMU adder or (ii) is regularly dispatched by PJM as a substitute for the FMU based on differences in cost that result from the currently applicable FMU adder.</li> </ol> <p>The offer cap for an associated unit shall be equal to the incremental operating cost of such unit, as determined in accordance with Schedule 2 of the Operating Agreement and the PJM Manuals, plus the applicable percentage adder or dollar per megawatt-hour adder as specified in Section 6.4.2(a)(iii)(a), (b), or (c) for the unit with which it is associated.</p> <p><b>OATT, Att. M-App. §II.A.3</b></p> <p>3. On <del>an annual, calendar basis</del> <u>or before the 21<sup>st</sup> day of each month</u>, the Market Monitoring Unit shall <del>determine whether a resource is a “Frequently Mitigated Unit” or “FMU,” or an “Associated Unit,” and provide to the Office of the Interconnection a list of any such resources as well as a list of resources that no longer qualify as FMUs or Associated Units by no later than December 15<sup>th</sup> of each year.</del> <u>On a monthly basis, the Market Monitoring Unit shall also</u> compute the cost capping percentages for each Frequently Mitigated Unit and</p>
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			<p>Associated Unit for the prior rolling twelve-month period, consistent with Section 6.4.2 of Schedule 1 of the Operating Agreement, <del>on or before the 6<sup>th</sup> day of every month. The Market Monitoring Unit shall also</del> <u>and shall</u> issue a written notice to a <u>resource unit, as applicable</u>, indicating that it is a "Frequently Mitigated Unit" or "FMU," or an "Associated Unit" <del>or indicating that the resource no longer qualifies as an FMU or Associated Unit,</del> and simultaneously provide a copy of the same to the Office of the Interconnection, when the Market Monitoring Unit determines that the unit meets, <del>or no longer meets,</del> the criteria delineated in Section 6.4.2 of Schedule 1 of the Operating Agreement <del>by no later than the 25<sup>th</sup> day of each month.</del></p> <p>4. Notwithstanding the number of jointly pivotal suppliers in any hour, if the Market Monitoring Unit determines that a reasonable level of competition will not exist based on an evaluation of all facts and circumstances, it may propose to the Commission the removal of offer-capping suspensions otherwise authorized by Section 6.4 of Schedule 1 of the Operating Agreement. Such proposals shall take effect upon Commission acceptance of the Market Monitoring Unit's filing.</p>
11	<p>Parameter limited schedules</p> <p>OATT, Att. K-App. §6.6</p> <p>OA, Schedule 1 §6.6</p> <p>OATT, Att. M-App. §II.B</p>	<p>While most tasks are well specified with deadlines. Some risks exist around mid-period exceptions which are not tariff-defined tasks. Therefore general risk in customer responsiveness exist which can lead to customer complaints and tariff administration concerns.</p>	<p><u>OATT, Att. K-App. §6.6 / OA, Schedule 1 §6.6</u></p> <p><u>OATT, Att. M-App. §II.B</u></p> <p><u>Process improvements for these sections will be incorporated into the proposed OATT and OA revisions currently being addressed in the Parameter Limited Schedule stakeholder process discussions regarding MIC proposed market rule changes.</u></p> <p><u>OATT, Att. K-App. §6.6 / OA, Schedule 1 §6.6</u></p> <p><del>(e) The Market Monitoring Unit shall calculate and provide generation resources unit specific default values in accordance with section II.B of Attachment M—Appendix. Generation resources having the ability to operate on multiple fuels may submit a parameter limited schedule associated with each fuel type. In addition, a generation resource may obtain an exception from the unit specific values for the period defined in section II.B of Attachment M—Appendix due to physical operational limitations that prevent the resource from meeting the minimum parameters by simultaneously submitting a request to the Office of the Interconnection, with a copy to the Market Monitoring Unit. Pursuant to section II.B of Attachment M—Appendix, exception requests for period 1, which begins on April 1, must be received by the Market Monitoring Unit, with a copy to the Office of the Interconnection, by no later than February 28, and exception requests for period 2, which begins on October 1, must be received by the Market Monitoring Unit, with a copy to the Office of the Interconnection, by no later than August 31. Each generation resource must supply the required historical unit operating data in support of the exception request, and if the exception requested is based on new physical operational limits for the resource for which historical operating data is unavailable, the generation resource may also submit technical information about the physical operational limits for period exceptions of the resource to support the requested parameters. The Market Monitor shall evaluate such request in accordance with the process set forth in Section II.B of Attachment M—Appendix. A generation resource (i) must submit a parameter limited schedule value consistent with its agreement under such process, or, (ii) if it has not agreed with the Market Monitoring Unit on an appropriate parameter limited schedule value, may submit its own determination of an appropriate value to the Office of the Interconnection, with a copy of the Market Monitoring Unit, by no later than March 21 for period 1 exception requests and September 20 for period 2 exception requests. Each exception request must indicate the expected duration of the requested exception including the termination date thereof. The proposed parameter limited schedule value submitted by the generation resource owner is subject to approval of the Office of the Interconnection pursuant to the requirements of the Tariff and the PJM Manuals. The Office of the Interconnection may engage the services of a consultant with technical expertise to evaluate the exception request. After it has completed its evaluation of the exception request, the Office of the Interconnection shall notify the generation resource owner in writing, with a copy to the Market Monitoring Unit, whether the exception request is approved or denied by no</del></p>

later than March 28 for period 1 exception requests and September 28 for period 2 exception requests. If the generation resource owner does not submit a complete exception request to the Office of the Interconnection and the resource does not clear in the Day-ahead Energy Market, the resource schedule shall be returned to its previous parameter limits. The Office of the Interconnection and Market Monitoring Unit will review the operations of the generation resource after each of the first three full years of operation to verify the requested parameters. PJM will not accept the exception thereafter if it is not supported by the operating data.

(e-1) If the physical configuration, ownership or control of a generation resource changes after the commencement of the applicable period ("mid-period"), the resource may obtain an exception from the unit-specific values for the period defined in section II.B of Attachment M—Appendix ("mid-period exception") due to physical operational limitations that prevent the resource from meeting the minimum parameters by submitting a request to the Office of the Interconnection, and simultaneously provide a copy of said request to the Market Monitoring Unit, by no later than thirty (30) days prior to the proposed effective date of the exception request. The generation resource must submit with any such mid-period exception request all required historical unit operating data supporting the request, and if the exception requested is based on new physical operational limits for the resource for which historical operating data is unavailable, the generation resource may also submit technical information about the physical operational limits of the resource to support the requested parameters. The Market Monitor shall evaluate such request in accordance with the process set forth in Section II.B of Attachment M—Appendix. A generation resource (i) must submit a parameter limited schedule value consistent with its agreement under such process, or, (ii) if it has not agreed with the Market Monitoring Unit on an appropriate parameter limited schedule value, may submit its own determination of an appropriate value to the Office of the Interconnection, with a copy of the Market Monitoring Unit, by no later than fifteen (15) days days prior to the proposed effective date of the exception request. Each mid-period exception request must indicate the expected duration of the requested exception including the termination date thereof. The proposed parameter limited schedule value submitted by the generation resource owner is subject to approval of the Office of the Interconnection pursuant to the requirements of the Tariff and the PJM Manuals. If the Market Monitoring Unit fails to notify the generation resource of its determination of the mid-period exception by no later than fifteen (15) days days prior to the proposed effective date of the exception request as required by Section II.B of Attachment M—Appendix, the Office of the Interconnection will make the determination and may engage the services of a consultant with technical expertise to evaluate the request. After it has completed its evaluation of the exception request, the Office of the Interconnection must simultaneously notify the generation resource owner and the Market Monitoring Unit of its independent determination of the mid-period exception request, or of its approval of the generation owner's proposed parameter limited schedule value, by no later than seven (7) days days prior to the proposed effective date of the exception request. If the generation resource owner does not submit a complete mid-period exception request to the Office of the Interconnection and the resource does not clear in the Day-ahead Energy Market, the resource schedule shall be returned to its previous parameter limits.

**OATT, Att. M-App. II.B**

2. The Market Monitoring Unit shall acknowledge receipt of each request for an exception to a value specified in the Parameter Limited Schedule Matrix or the parameters defined in Section 6.6 of Schedule 1 of the Operating Agreement and the PJM Manuals by no later than March 7 for period 1 exception requests and September 7 for period 2 exception requests and shall simultaneously provide a copy of the same to the Office of the Interconnection. Thereafter, the Market Monitoring Unit shall notify Generation Capacity Resources no later than March 15 and September 15 each year of its determination regarding each request for an exception to a value specified in the Parameter Limited Schedule Matrix or the parameters defined in Section 6.6 of Schedule 1 of the Operating Agreement and the PJM Manuals, unless the request is for a mid-period exception, provided that the Market Monitoring Unit receives such request by no later than February 28 or August 31, respectively. The Market Monitoring Unit's determination for an exception shall continue for a period of no less than six months, and, if requested, for such longer period as the Market Monitoring Unit may determine is supported by the data. If the request is for a mid-period exception, the Market Monitoring Unit shall notify Generation Capacity Resources by no later than fifteen (15) days prior to the proposed effective date of the exception request and shall

			simultaneously provide a copy of the same to the Office of the Interconnection.
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